

## **IRS TAX TIP 2004-56**

### **SELLING YOUR HOME**

If you sold your main home, you may be able to exclude up to \$250,000 of gain (\$500,000 for married taxpayers filing jointly) from your federal tax return, according to the IRS. This exclusion is allowed each time that you sell your main home, but generally no more frequently than once every two years.

To be eligible for this exclusion, your home must have been owned by you and used as your main home for a period of at least two out of the five years prior to its sale. The two years may consist of 24 full months or 730 days. Short absences, such as for a summer vacation, count as periods of use. Longer breaks, such as a one-year sabbatical, do not. You also must not have excluded gain on another home sold during the two years before the current sale. Special rules apply to members of the armed, uniformed and foreign services and their families in calculating the 5-year period.

If you and your spouse file a joint return for the year of the sale, you can exclude the gain if either of you qualify for the exclusion. But both of you would have to meet the use test to claim the \$500,000 maximum amount.

If you do not meet the ownership and use tests, you may be allowed to use a reduced maximum exclusion amount if you sold your home due to health, a change in place of employment or unforeseen circumstances. Unforeseen circumstances can include divorce or a disaster resulting in a casualty to your home, for example.

If you can exclude all the gain from the sale of your home, you do not report any of that gain on your federal tax return. If you cannot exclude all the gain from the sale of your home, or you choose not to, use Schedule D, Form 1040, to report the total gain and claim the exclusion you qualify for.

For more details and information, get a copy of IRS Publication 523, "Selling your Home," by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading it from the IRS Web site at [www.irs.gov](http://www.irs.gov). For rules applying to members of the military, see Publication 3, "Armed Forces Tax Guide."

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